University of Regina

Pension Plan for the Academic and Administrative

Employees of the University of Regina

Financial Statements

For the Year Ended December 31, 2009

Provincial Auditor Saskatchewan

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SASKATCHEWAN

Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits, accrued pension benefits and surplus of the Pension Plan for the Academic and Administrative Employees of the University of Regina as at December 31, 2009 and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. The Plan's management is responsible for preparing these financial statements. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits, accrued pension benefits and surplus of the Plan as at December 31, 2009 and the changes in net assets available for benefits and changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
July 20, 2010

Brian Atkinson, FCA
Acting Provincial Auditor

Pension Plan for the Academic and Administrative Employees of the University of Regina
Statement of Net Assets Available for Benefits, Accrued Pension Benefits and Surplus
As at December 31

	2009	2008
Assets		
Investments:		
Master Trust fund (Note 5)	$ 250,698,599	$ 221,728,814
Receivables:		
Employee contributions - Defined Benefit Plan	120,444	112,419
Employer contributions - Defined Benefit Plan	117,733	115,937
Employee contributions - Defined Contribution Plan	314,429	258,457
Employer contributions - Defined Contribution Plan	313,105	255,582
	865,711	742,395
Total assets	251,564,310	222,471,209
Liabilities		
Accounts payable	991,136	874,408
Total liabilities	991,136	874,408
Net Assets Available for Benefits (Statement 2)	250,573,174	221,596,801
Accrued Pension Benefits - Defined Contribution Plan (Note 4)	52,225,903	40,133,159
Accrued Pension Benefits - Defined Benefit Plan (Statement 3)	171,448,000	163,536,000
Surplus	$ 26,899,271	$ 17,927,642

Approved by the Board of Governors

Chair, Board of Governors

Vice President (Administration)

The accompanying notes are an integral part of these financial statements

Pension Plan for the Academic and Administrative Employees of the University of Regina
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31

	2009	2008
Increase in Assets		
Change in market values of investments:		
Net realized gain on sale	$ 2,635,006	$ 4,917,361
Unrealized appreciation (depreciation) of investments	30,754,807	(45,166,340)
	33,389,813	(40,248,979)
Contributions:		
Employee contributions - Defined Benefit Plan	1,405,231	1,385,249
Employer contributions - Defined Benefit Plan	1,386,380	1,375,994
Employee contributions - Defined Contribution Plan	3,958,884	3,153,517
Employer contributions - Defined Contribution Plan	3,474,564	2,907,343
	10,225,059	8,822,103
Total increase (decrease) in assets	43,614,872	(31,426,876)
Decrease in Assets		
Plan expenses (Note 6)	1,168,652	1,214,334
Pension benefits - Defined Benefit Plan	7,889,577	7,919,069
Refunds and transfers - Defined Benefit Plan	3,857,871	6,380,095
Refunds and transfers - Defined Contribution Plan	1,722,399	1,140,348
Total decrease in assets	14,638,499	16,653,846
Net Increase (Decrease) in Assets	28,976,373	(48,080,722)
Net Assets Available for Benefits, Beginning of Year	221,596,801	269,677,523
Net Assets Available for Benefits, End of Year (to Statement 1)	$ 250,573,174	$ 221,596,801

The accompanying notes are an integral part of these financial statements

Pension Plan for the Academic and Administrative Employees of the University of Regina
Statement of Changes in Accrued Pension Benefits
For the Year Ended December 31

	2009 (Note 7)	2008 (Note 7)
Accrued Pension Benefits, Beginning of Year	$ 163,536,000	$ 165,818,000
Increase in Accrued Pension Benefits:		
Interest on accrued benefits	11,039,000	11,253,000
Benefits accrued	4,746,000	4,190,000
Experience loss	3,970,000	-
	19,755,000	15,443,000
Decrease in Accrued Pension Benefits:		
Benefits paid	12,144,000	14,782,000
Change in assumptions	(301,000)	(3,318,000)
Experience gain	-	6,261,000
	11,843,000	17,725,000
Accrued Pension Benefits, End of Year (to Statement 1)	$ 171,448,000	$ 163,536,000

The accompanying notes are an integral part of these financial statements

1. Summary of Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

a) Investments

Investments are comprised of units in a pooled fund called the University of Regina Master Trust. Additional units are acquired when assets are transferred to the Fund and when distributions are made by the Fund. The Plan can realize changes in the underlying unit values by redeeming units.

Units in the Master Trust fund are recorded at fair market value in the accounts at their net asset value per unit. The net asset value per unit is the market value of the pooled fund's investments divided by the total number of units outstanding in the Fund.

The change in net asset value of the Fund during the year is reflected in the Statement of Changes in Net Assets Available for Benefits as Unrealized appreciation (depreciation) of investments.

Investment transactions are recorded as of the trade date.

b) Use of estimates

In preparing the financial statements, management uses estimates and assumptions that primarily affect the reported values of assets and liabilities. Significant estimates are used primarily in the determination of the fair value of investments and investment related receivables in the Master Trust. Significant estimates are also used in the determination of accrued pension benefits. Actual results could differ from those estimates, which may impact the results reported in future periods.

c) Change in accounting policies

Effective for its fiscal year ended December 31, 2009, the Plan adopted the Canadian Institute of Chartered Accountants' new recommendation for disclosures relating to fair value measurements. Section 3862 *Financial Instruments – Disclosures* has been amended to require enhanced disclosure for fair value measurements recognized in the balance sheet. The Plan is required to classify and disclose fair value measurements using a three-tier hierarchy based on the lowest level input that is significant to that fair value measurement.

The adoption of this amendment did not have a significant impact on the Plan's financial statements.

Effective for its fiscal year ended December 31, 2009, the Plan adopted the Canadian Institute of Chartered Accountants' new recommendation for disclosures relating to liquidity risk. Section 3862 *Financial Instruments – Disclosures* has been amended to require enhanced disclosures for liquidity risk in response to current market conditions. The Plan is required to disclose maturity analysis for

derivative and non-derivative financial liabilities based on how the Plan manages its liquidity risk.

The adoption of this amendment did not have a significant impact on the Plan's financial statements.

d) Future accounting policy changes

The Canadian Accounting Standards Board (AcSB) has decided that while the use of International Financial Reporting Standards (IFRS) will be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011 that the primary standard applicable to pension plans will be *CICA Accounting Handbook – Part IV*, Canadian accounting standards for pension plans. The standard will be effective for annual financial statements for fiscal years beginning on or after January 1, 2011 and will require enhanced disclosure. Earlier application will be permitted. The plan is currently assessing the impact of these changes on the financial statements and related notes.

2. Authority for the Plan

Section 62(j) of *The University of Regina Act* provides that the Board of Governors may establish a system of pension or retiring allowances for any or all classes of University officials and other employees.

3. Plan Administration

The Academic and Administrative Pension Plan was established June 30, 1965. In December 1974, the Board of Governors of the University of Regina accepted sponsorship of the pension plan for its employees. The Academic and Administrative Benefits Committee is a sub-committee of the Board of Governor's Human Resources Committee and has the responsibility to administer the Plan according to the terms and provisions of the Plan agreement. The University has appointed, through agreements, investment managers to authorize investments, and a trustee to maintain custody of the plan assets and invest the plan assets as authorized by the investment managers.

4. Description of the Plan

The following description of the Pension Plan for the Academic and Administrative Employees of the University of Regina is a summary only. For more information, reference should be made to the Plan document.

a) General

At December 31, 1999, the Plan was a contributory defined benefit final average pension plan for Academic and Administrative employees who held a permanent, probationary or term appointment, working half-time or more. Eligible employees were required to join the Plan as a condition of employment.

Effective January 1, 2000, a DC (Defined Contribution) component was added to the Plan for new members joining the plan on or after this date.
Plan membership is extended to those employees who qualify from Communities of Tomorrow, Petroleum Technology Research Centre, the federated colleges, Campion and Luther, and continues to be extended to the employees of the Mackenzie Art Gallery and Communities of Tomorrow. There are 1,003 active members in the Plan.

b) Retirement Benefits

Defined Benefit Component:

The normal retirement date is the 30th of June coincident with or next following the 65th birthday.

The annual amount of pension is determined as 2% of the Member's highest three-consecutive-year average earnings multiplied by the number of years of credited service. The annual retirement benefit is based on maximum earnings of $124,722 as outlined in the *Income Tax Act* (Canada).

The normal form of pension is a single life pension payable monthly in arrears with a ten year guarantee. Other options are available on an actuarially equivalent basis.

A member who has a spouse at the time of retirement shall be paid in a joint and 60% survivor form unless the member's spouse has signed a waiver under applicable legislation reducing survivor benefits for the spouse.

A member also has the option of transferring funds as described in d) Termination Benefits or to any other prescribed retirement plan that is registered under the *Income Tax Act* (Canada).

Defined Contribution Component:

The normal retirement date is the 30th of June coincident with or next following the 65th birthday.

Upon retirement, the full value of the DC member's account is transferred to a prescribed retirement plan that is registered under the *Income Tax Act* (Canada).

c) Indexing

Eligible retired members in the DB (Defined Benefit) component may be entitled to a yearly formula-based pension increase. The plan provides post retirement indexing to 100% of the increase in the CPI (Consumer Price Index). The pension increase will commence one year after the Member's deemed retirement date.

d) Termination Benefits

A Member is vested and locked-in immediately upon becoming a Member of the Plan.

Under the DB component, upon termination of employment the Member shall receive a transfer to another registered pension plan, a prescribed RSP, or to purchase a deferred pension from an insurance company that is not commutable or any other retirement plan prescribed by the *Income Tax Act* (Canada) an amount equal to the greater of the following:

i) the Member's plus the University's required contributions with interest as at December 31, 1991, with interest to the payment date plus, for service on or after January 1, 1992, two times member required contributions with interest, plus, for periods under the Long-term Disability Plan after December 31, 1991, the Commuted Value of benefits earned during such period of disability, or

ii) the Commuted Value of the monthly retirement benefit.

Under the DC component, upon termination the Member shall receive the market value of the DC account at the date of payment available for transfer to another registered pension plan, or a locked in retirement account, or to purchase an immediate or deferred life annuity, or a combination of these. The value of the DC account is comprised of member and employer contributions along with allocation of investment income. Investment income is defined as investment returns including change in market values less management fees and administration expenses incurred.

e) Death Benefits

i) Prior to Normal Retirement Date

Defined Benefit Component:

Upon death of a member, other than a terminated vested member or a retired member, the Member's spouse or beneficiary shall receive a transfer to another registered pension plan, a prescribed RSP, an Insurance Business to purchase an immediate or deferred pension, paid as a lump-sum cash refund, transferred to a registered retirement savings plan, or a combination of the five, the greater of the following:

A) the Member's plus the University's required contributions with interest as at December 31, 1991, with interest to the payment date plus, for service on or after January 1, 1992, two times member required contributions with interest, plus, for periods under the Long-term Disability Plan after December 31, 1991, the Commuted Value of benefits earned during such period of disability, or

B) the Commuted Value of the monthly retirement benefit.

If the Member does not have a spouse, the beneficiary receives the death benefit as a taxable lump-sum payment.

Defined Contribution Component:

Upon death of a Member and if the Member does not have a spouse, the Member's estate or designated beneficiary will receive a taxable lump sum payment of the full value of the DC account less any applicable withholding taxes.

If the Member has a spouse, the spouse will receive the market value of the DC account which can be transferred to another registered pension plan, a Locked-In Retirement Account, an Insurance Business to purchase an immediate or deferred life annuity, or a combination of the three.

ii) After Retirement

Upon the death of a retired DB member, benefit payments, if any, shall be continued in accordance with the benefit payment option elected by the member at the time of retirement.

f) Member's Contributions and Funding Policy

Defined Benefit Component:

In accordance with the Plan document, the following amounts shall be contributed with respect to each member:

1. 13% of the Member's Contributory Earnings.

At least 50% of such contributions shall be made by the Employer. The balance shall be retained at source from the Member's earnings.

Defined Contribution Component:

In accordance with the Plan document, the following amounts shall be contributed with respect to each member:

1. 6.5% of the Member's Contributory Earnings.

Contributions by the Employer shall be made on an equal basis. The required contributions shall be deducted from the Member's earnings by the Employer.

g) Interest Rate Credited

Defined Benefit Component:

Since December 31, 1995, active member and University contribution balances are credited interest each year such that the total member and University contribution balance with interest is the greater of:

i) the member and University contribution balance at December 31, 2008 credited with the average for the year of the yields of five-year personal fixed term chartered bank deposit rates (CANSIM, Series B-14045); and

ii) the member and University contribution balance at December 31, 2008 credited with the geometric four-year average net rate of return for the fund less 0.5%.

Defined Contribution Component:

Since December 31, 1995, active member and University contribution balances are credited interest each year based on the actual investment performance net of expenses in the year, as approved by the Academic and Administrative Benefits Committee.

h) Members on Disability

Defined Benefit Component:

Periods during which a member is in receipt of disability benefits provided from the Long Term Disability Plan of the University count as pensionable service. Employer and employee contributions continue during periods the employee is in receipt of disability benefits.

Defined Contribution Component:

The Plan continues the employer and employee contributions for periods during which a Member is in receipt of disability benefits from the Long Term Disability Plan of the University.

5. Financial Instruments

The Plan's significant financial instruments consist of accounts receivable, accounts payable, and investments.

Contributions Receivable and Accounts Payable

The contributions receivable and accounts payable are non-interest bearing financial instruments and are due or payable within the next year. Due to this short-term maturity, the fair value of these financial instruments approximates carrying value.

Investments

Effective December 1, 1995, the assets of the University of Regina's Academic and Administrative Employees and the Non-Academic Pension Plans were combined into a pooled fund called the Master Trust to improve investing opportunities. Each plan holds units in the Master Trust rather than holding individual investments. For more information, reference should be made to the Master Trust Agreement.

The total assets of the Master Trust on December 31, 2009 is $313,040,800. The Unitholders' Equity at December 31, 2009 is:

Academic & Administrative Employees' Pension Plan	$	250,698,599
Non-Academic Employees' Pension Plan		62,342,201
	$	313,040,800

The investment objectives of the Plan are to ensure there are sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Master Trust takes a long-term investment perspective.

As a result, the following risks of the Master Trust are also risks of the Plan.

Based on the investment objectives set by the participating pension plans, the Master Trust invests cash flows from the pension plans. The nature of the Master Trust's operations results in a statement of net assets that consists primarily of financial instruments. The risks that arise are market risk, (consisting of interest rate risk, foreign exchange risk and equity price risk), credit risk and liquidity risk.

Significant financial risks are related to the investments. These financial risks are managed by having an investment policy, which is approved by the Board of Governors. The investment policy provides guidelines to the Master Trust's investment managers for the asset mix of the portfolio regarding the quality and quantity of fixed income investments, real estate and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives (such as options, futures, and forward contracts) are allowed within the Master Trust to protect against losses from changes in exchange rates and market indices; and for non-hedging purposes, as a substitute for direct investment. The investment policy prevents the use of derivatives for speculative trading or to create a portfolio with leverage.

a) Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest Rate Risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Master Trust's cash flows, financial position and income. This risk arises from short-term changes in nominal interest rates that cause differences in the timing and amount of cash flows related to the investments. Interest rate risk is managed by investing in fixed income investments (short-term investments, bonds and debentures, mortgages) of various durations. It is estimated that a 100 basis point increase/decrease in interest rates would decrease/increase the value of the fixed income investments by $ 6,900,000 at December 31, 2009.

representing 6.08% of the $ 112,858,462 fair value of these investments in the Master Trust.

Foreign Exchange:

The Master Trust is subject to changes in the US/Canadian dollar exchange rate for US denominated investments. Also, the Master Trust is exposed to EAFE (Europe, Australasia and Far East) currencies and global currencies (including US, Non-North American and Canadian) through its investment in the pooled Non-North American (NNA) equity fund and pooled global equity fund. Exposure to US equities, Non-North American equities, and global equities is limited to a maximum 16%, 18%, and 12% respectively each of the total of the fair value of the total investment portfolio. At December 31, 2009 the Master Trust's exposure to US equities was 14.8% (2008 – 18.6%) and its exposure to Non-North American equities (including global equities) was 24.7% (2008 – 15.1%).

At December 31, 2009, a 10% appreciation in the Canadian dollar versus US dollar exchange rate would result in approximately a $ 4,600,000 decrease in investments in the Master Trust. A 10% weakening in the Canadian dollar versus EAFE currencies would result in approximately a $ 7,750,000 increase in investments in the Master Trust.

No more than 10% of the fair value of the bond and debentures portfolio shall be invested in bonds of foreign issuers.

Equity Prices:

	Market Value – Master Trust	
	2009	2008
Common Shares and Pooled Funds – Canadian	$56,769,752	$44,912,822
Pooled Funds – Global	28,660,849	-
Pooled Funds – NNA	48,813,686	41,816,915
Pooled Funds – US	46,194,520	51,206,051
	$180,438,807	$137,935,788

The Master Trust is exposed to changes in equity prices in Canadian, US, and EAFE markets. Equities, including equity pooled funds, comprise 57.82% (2008 – 49.94%) of the fair value of the Master Trust's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee or related group of investees represents greater than 10% of the fair value of the Master Trust's total investment portfolio. As well, no one holding represents more than 10% of the voting shares of any corporation. Investments in pooled funds do not exceed 10% of the fair value of that fund.

The following table indicates the approximate change that would be expected to the total investment portfolio based on changes in the Master Trust's benchmark indices as at December 31, 2009:

	10% increase	10% decrease
Canadian Equities	$ 5,700,000	$ (5,700,000)
US Equities	$ 4,600,000	$ (4,600,000)
NNA Equities	$ 4,900,000	$ (4,900,000)
Global Equities	$ 2,900,000	$ (2,900,000)

b) Credit Risk

Credit risk arises from the potential for an investee to fail or for a counterparty (e.g. mortgager) to default on its contractual obligations to the Master Trust. The Master Trust limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the investments below are based on the Dominion Bond Rating Service and/or the Standard and Poor's Bond Rating Service.

Short-Term Investments

These investments in the Master Trust are comprised of a pooled fund that holds investments mainly in corporate bonds and debentures with effective interest rates of 0.25% to 0.769% (2008- 1.4601% to 4.1008%) and maturing within 4 to 270 days (2008 - 2 to 154 days). The investment policies of the participating pension plans state that investments must meet a minimum investment standard of "R-1", as rated by a recognized credit rating service.

Bonds and Debentures

The investment policies of the participating pension plans state that the minimum quality standard for individual bonds and debentures is 'B' as rated by a recognized bond rating agency at the time of purchase, and sets limits to the maximum notational amount of exposure with respect to any one issuer. Bonds rated 'BBB', 'BB' and 'B' may not be purchased if the purchase would raise holdings rated 'BBB' to 'B' inclusive to more than 15% of the fair value of the bond portfolio, with bonds rated below 'BBB' not to exceed 5% of the fair value of the bond portfolio at the time of purchase.

The Master Trust holds the following investments in bonds and debentures:

	2009						2008		
Years to Maturity	Federal	Provincial	Pooled Funds	Total Fair Value	Yield to Maturity at Fair Value	Coupon Rate	Total Fair Value	Yield to Maturity at Fair Value	Coupon Rate
Under 5	$ 664,045	-	62,845,441	63,509,486	0.35%	3.56% - 3.75%	$ 67,623,485	0.7068%-6.7181%	3.75% - 4.75%
5 - 10	9,487,216	116,325	-	9,603,541	3.61% - 4.25%	3.75% - 4.4%	6,512,607	3.7387%-4.2184%	4.2% - 4.5%
Over 10	1,109,050	28,520,972	-	29,630,022	4.07% - 5.29%	4.0% - 8.5%	28,318,361	3.5127%-5.5791%	2.0% - 8.5%
Market Value	$ 11,260,311	28,637,297	62,845,441	102,743,049			$ 102,454,453		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Credit ratings for bonds are as follows:

	2009		2008	
Credit Rating	Fair Value	Make up of Portfolio (%)	Fair Value	Make up of Portfolio (%)
AAA	$ 19,399,701	18.88%	$ 8,736,807	8.53%
AA	46,277,747	45.04%	62,257,783	60.76%
A	28,395,198	27.64%	26,635,980	26.00%
BBB	7,911,654	7.70%	4,811,680	4.70%
BB & Below	758,749	0.74%	12,203	0.01%
Total	$ 102,743,049	100.00%	$102,454,453	100.00%

Within bond investments there are no direct holdings other than the Government of Canada or a Canadian province. No one holding of a province is over 23.20% of the fair value of the bond portfolio. Securities of the Master Trust may not be loaned except within pooled funds where the pooled fund policy permits securities lending.

Fair Value

The Plan has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2.

Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's required financial instruments within a fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Short-term investments	$3,457,039			$3,457,039
Bonds and Debentures	102,743,049			102,743,049
Equities	180,438,807			180,438,807
Mortgages	6,658,377			6,658,377
Real estate		$18,968,986		18,968,986
Total	$293,297,272	$18,968,986		$312,266,258

Real Estate

The Master Trust holds $18,968,986 (2008 - $22,428,279) in real estate. This represents 6.07% (2008 – 8.12%) of total investments. The investments in real estate consist of Canadian commercial property.

Mortgages

The investment policies of the participating pension plans state the investments in mortgage can be mortgages secured against Canadian real estate, mortgage-backed securities, or asset-backed securities.

c) Liquidity Risk

Liquidity risk is the risk that the Master Trust is unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

6. Plan Expenses

	2009		2008
	Budget	Actual	Actual
Actuarial and consulting services	$349,500	$225,899	$182,242
Administration	217,275	160,952	158,758
Investment management	882,500	654,846	737,791
Trustee fees	160,000	126,955	135,543
	$1,609,275	$1,168,652	$1,214,334

7. Accrued Pension Benefits

Aon Consulting Inc., a firm of consulting actuaries, performed an actuarial valuation as at December 31, 2009. Prior to this, Aon performed an actuarial valuation as at December 31, 2007 and extrapolated it to December 31, 2008. The actuary used the projected benefit method prorated on services and best estimate assumptions approved by the Benefits Committee. Significant long-term assumptions used in the valuation and extrapolation were:

	as at December 31	
	2009	2008
Salary/YMPE increases	3.0%	3.0%
Inflation rate	2.5%	2.5%
Discount rate	6.75%	6.75%
Indexing	2.5%	2.5%

The actual rates may vary significantly from the long-term assumptions used. During the year, the experience loss of $3,970,000 was due to actual salary increases for defined benefit members greater than expected, pensioner mortality different than expected, and interest credited on contributions balances different than assumed.

Mortality tables used were the UP 1994 projected to 2024 (2008- UP 1994 projected to 2008).

The Plan Document states that any excess surplus shall be used to reduce the contributions of the University and members equally, or used for the benefit of the members and their beneficiaries. Any use of surplus to reduce contributions of the University must be negotiated with the members as part of the collective agreements. Any use of surplus would be for the benefit of the members and their beneficiaries.

Upon termination or death of a member, the member, beneficiary or spouse shall receive a transfer as described in notes 4 (d) and (e). The December 31, 2009 actuarial present value of accrued pension benefits shown in Statement 3 contains $520,703 (2008 - $2,559,356) related to such members who have died or terminated. The DC part of the Plan also contains $1,439,820 (2008 - $1,161,028) related to members who have died or terminated. The University is attempting to transfer these amounts, but it

is unknown how soon this will be accomplished as the transfer is dependent upon decisions to be made by the member, beneficiary or spouse.

The following illustrates the effects of changing certain assumptions:

Assumption:	Adjusted Assumption (Change Made):	Change in Accrued Liability	Percentage Change in Accrued Liability
Discount rate	7.75% (Plus 1%)	($15,527,000)	(9.07%)
	5.75% (Minus 1%)	$19,925,000	11.64%
Salary, YMPE, and *Income Tax Act* Maximum Pension increase	4% (Plus 1%)	$3,546,000	2.07%
	2% (Minus 1%)	($3,113,000)	(1.82%)
Inflation rate	3.5% (Plus 1%)	($2,403,000)	(1.40%)
	1.5% (Minus 1%)	$2,555,000	1.49%

The pension obligation is long-term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligation. Therefore, determination of the fair value of the pension liability is not practical.

8. Investment Performance

The University has retained Phillips, Hager & North Ltd. as investment manager of the majority of the investments in the Master Trust. The University also contracts with Franklin Templeton Investments, Bentall Investment Management, BlackRock Asset Management Canada Limited, Mawer Investment Management Ltd., and Grantham, Mayo Van Otterloo & Co. LLC to be investment managers of specific types of investments in the Master Trust.

These investment managers make the day-to-day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Plan. It is these long-term investment performance objectives that are used to assess the performance of the investment managers.

The primary long-term investment performance objective for the entire Master Trust portfolio is to out-perform a benchmark portfolio with weightings as follows:

Asset Class	Representative Index	Weight
Canadian equities	S&P/TSX Composite Index	16 %
U.S. equities	S&P 500 Index (Cdn $)	7
U.S. equities	S&P 500 Index - Hedged	7
Non-North American equities	MSCI EAFE Index (Cdn $)	15
Global equities	MSCI World Index (Cdn $)	10
Real Estate	Investment Property Databank	10
Bonds	DEX Universe Bond Index	33
Short-term investments	91-day T-Bills	2
		100 %

The University engages the services of Hewitt Associates, asset management consultants, to provide advice on the overall management of the Plan's investments and on the measurement of the Plan's performance. Hewitt Associates reports to the Joint Academic and Administrative and Non-Academic Benefits Committee quarterly on the investment performance in terms of the performance of the benchmark portfolio over moving four-year periods.

The one year investment objective (the return of the benchmark portfolio) was 13.3% (2008 – -15.0%). For the year ending December 31, 2009, the Master Trust had a gross rate of return of 15.4% (2008 – -15.2%). For the four years ending December 31, 2009, the Master Trust had an annualized gross rate of return of 3.3% (2008 – 1.9%). The investment objective (the return of the benchmark portfolio) was 2.7% (2008 – 2.0%).

9. Related Parties

The Plan is related to the University of Regina and other pension plans sponsored by the University. The University pays all plan expenses, pension benefits and refunds and transfers on behalf of the Plan, and then is reimbursed by the Plan. Contributions for Communities of Tomorrow, Petroleum Technology Research Centre, the federated colleges and MacKenzie Art Gallery are calculated and collected through the University's payroll process.